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# INTERNATIONAL CONFERENCE ON THE FINANCING OF DEVELOPMENT

## Report of the Secretary-General

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## I. INTRODUCTION

1. The concern that appropriate financial resources be available for accelerating economic growth of developing countries has long been one main focus of international cooperation for development at the United Nations. This concern assumed increased importance after the financial upheavals of the 1980s, when investment and growth suffered serious set-backs in many developing countries. As the 1990s began, the desire grew strong to leave behind the legacy of the 1980s and revive investment and growth in a new world economic environment.

2. The General Assembly therefore decided, in its resolution 46/205 of 20 December 1991, to consider at its forty-seventh session the issue of the convening of an international conference on the financing of development. Since then, Governments have reviewed and debated questions of financial cooperation in various contexts in three major international forums, namely, the eighth session of the United Nations Conference on Trade and Development (UNCTAD), held at Cartagena de Indias, Colombia, from 8 to 25 February 1992, the United Nations Conference on Environment and Development, held at Rio de Janeiro from 3 to 14 June 1992, and the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund (IMF) on the Transfer of Real Resources to Developing Countries (the Development Committee) in Washington, D.C., in September. At its forty-seventh session, the General Assembly is also undertaking a multifaceted review of international finance for development that extends over five agenda items allocated to the Second Committee, including item 86. 1/ The present report, prepared in the light of consultations and technical discussions with IMF, the World Bank, several regional development banks and UNCTAD (see annex), is intended to assist the Assembly in its deliberations on the convening of the proposed conference.

## II. BACKGROUND TO THE PROPOSAL

3. The initial call to the international community to give consideration to the convening of an international conference on development financing was made by the Secretary-General in his address to the Economic and Social Council at its second regular session of 1991. 2/ A main concern at that time was that new and competing claims on the world's financial resources were being made while the volume of available savings was not growing commensurately. It was feared that if this situation persisted, global development, peace and security would be severely jeopardized.

4. In the general debate that followed the Secretary-General's address, several delegations expressed concern about these prospects and voiced support for the proposal. As a result, the Council decided to refer the matter to the General Assembly at its forty-sixth session for further consideration (decision 1991/274 of 26 July 1991). It was discussed in November 1991 in the Second Committee, and on 20 December the Assembly adopted by consensus

resolution 46/205, in which it decided to consider the issue of convening such a conference in the light, inter alia, of the findings of the present report.

5. The fear that a shortage of investment resources was looming and that the developing countries would be especially harmed by that situation derived from several factors (see A/46/594, annex). The backlog of unmet financial needs of the developing countries that had accumulated during the 1980s was certainly growing. The international community had recently reiterated its recognition of the need for adequate financial resources - both concessional and non-concessional - to revitalize the growth and development of the developing countries. 3/ But data available as at mid-1991 gave mixed and confusing indications of what the key financial trends might be in the 1990s.

6. Thus, even though the Organisation for Economic Cooperation and Development (OECD) reported an extraordinary 18 per cent jump in the dollar value of official development assistance (ODA) in 1990, it was associated mainly with the international response to the crisis situation between Iraq and Kuwait and its adverse effects on the rest of the developing world. There was no reason to believe a lasting trend in significantly increasing ODA flows was being established. Moreover, once changes in prices and exchange rates were taken into account, the increase was only 6 per cent and real ODA still remained below the level it had reached in 1985. 4/

7. In addition, it was reported in the World Economic Survey, 1991 that a large working sample of developing countries had in 1990 received a net financial transfer from abroad for the first time since 1982. 5/ However, those countries used almost $24 billion of financial resources to build up their foreign official reserves, which had not been adequate to underpin stable financial and trade policies. As a result, few resources were available to increase imports, although the new transfers at least helped build up economic security through higher reserve levels. Indeed, considering all the capital-importing developing countries and grouping all financially related flows together, including reserve changes, what the World Economic Survey calls the net transfer on an expenditure basis, the transfer remained a net outflow of over $30 billion in 1990. 6/

8. Moreover, the terms of trade of the developing countries that were not exporters of petroleum declined in 1990, as international commodity prices other than crude oil reached new lows. By the end of 1990, non-fuel commodity exports purchased 27 per cent fewer manufactured exports of developed countries than they had in 1985 and half of what they purchased in 1980. And even though oil prices had jumped 27 per cent in 1990, a barrel of oil still purchased almost 40 per cent fewer manufactures than it had in 1985. 7/

9. The external financing needs of the developing countries thus continued to appear pressing in the summer of 1991. Large new claims on the world's investable resources were also looming, principal among them the cost of reconstruction and environmental cleanup after the war in the Middle East and the cost of the transformation of several centrally planned economies into market economies.

10. The conflict in the Persian Gulf and its aftermath brought considerable destruction to Iraq and Kuwait. In Kuwait alone, the cost of reconstruction of directly inflicted damage was estimated to exceed $21 billion (see S/22535 and Corr.1). This cost, as well as the region's assistance to countries that were indirect victims of the conflict, not to mention the cost of the war itself, had to be financed, and even though the foreign assets of the major oil-exporting countries of the region were quite extensive, it appeared that they needed to draw on foreign capital markets. Saudi Arabia already began to do so with a $4.5 billion internationally syndicated bank loan in May 1991, its first major borrowing in 20 years.

11. The cost of the transition in the formerly planned economies of eastern Europe and the Soviet Union was very unclear in mid-1991, but it seemed a large international contribution would be needed. These were middle-income countries and until recent years they had managed long periods of relatively high rates of investment that were financed mainly out of their own high savings. Although some of the smaller eastern European countries borrowed significantly from international capital markets, the Soviet Union had been able to build up a substantial net foreign asset position. In 1990, however, the Soviet Union withdrew almost $7 billion in deposits from foreign banks, arranged several major foreign borrowings, sold substantial amounts of gold reserves and still ended the year with $5 billion in arrears to foreign suppliers. 8/

12. The need for large-scale foreign assistance - technical cooperation as well as foreign savings - was a new phenomenon in eastern Europe and the USSR, evidence of the breakdown of the old order and the experimentalism and false starts in the transition to the new. In the light of the political importance attached to the success of the transition, donor countries quickly established a new multilateral institution, the European Bank for Reconstruction and Development, for assistance to the nascent private sector of eastern Europe; and as of April 1991, they had mobilized $86 billion in financial commitments for the region, not counting amounts to be provided through IMF, the World Bank and the European Community's European Investment Bank. 9/

13. These sums did not include assistance to one other transition economy, that of the former German Democratic Republic. With its accession to the Federal Republic of Germany in 1990, its transition became an internal German issue. But even though Germany would itself bear the "external" cost of the transition of its new Länder, the international economy still would be affected if Germany thereby became unable to supply financial resources to the rest of the world on a net basis as it had been doing for several years. By 1991, it became clear that the cost of unification programmes would far exceed initial estimates. Germany's budget shifted sharply into deficit in 1990 and by the first quarter of 1991 the country became a net capital importer.

14. Thus, with greater demands on the world's internationally transferable savings and with Germany and Middle Eastern suppliers of savings no longer able to provide them, a global savings shortage seemed to be looming. If market forces alone were left to deal with such a shortage, the classic

expectation is that world interest rates would rise until the financial resources made available were matched with borrowers that could absorb the higher interest cost. In this case, the excess demand for funds was expected to be large enough to raise interest rates appreciably. Less affluent borrowers, in this view, would have to forgo their intended expenditures. Developing countries, in particular, would have difficulty competing for the resources and their investment plans would be stymied. Moreover, heavily indebted developing countries would be burdened with higher debt-servicing charges, since much of their debt had been contracted at interest rates that are regularly adjusted to current market levels.

15. To avoid this situation, two sets of policy measures suggested themselves. One entailed strengthening official sources of external financing so as to ensure at least a portion of the total flow needed for development. Indeed, official international flows not only provide resources in themselves, but also act as a catalyst for enhanced private flows. A very significant increase in the resources of IMF, the World Bank, the International Fund for Agricultural Development (IFAD), the regional development banks and the development funds and agencies of the United Nations would thus be warranted.

16. The second set of policy measures involved redeploying public resources in developing and developed countries so as to raise expenditures on development. Two areas were considered especially apt candidates for cut-backs. One was military spending. As a result of the end of the cold war, a number of conflicts were resolved and this has led to a decrease of tensions in several regions and subregions. Perceptions of threats were also substantially reduced. At the same time, a trend towards increasing pluralism and democracy in many parts of the world has enhanced stability and opened an opportunity to divert funds from the military into productive sectors. In addition, the Uruguay Round of trade negotiations under the General Agreement on Tariffs and Trade has put agricultural subsidies on the bargaining table. Cutting these back would also free considerable resources for other uses.

17. Resources freed from such cut-backs in developing countries could be applied directly to development budgets, while cut-backs in developed countries would provide an opportunity to augment aid flows. In addition, given the weight of the developed countries in the world economy, if the public expenditure cut-backs reduced government deficits and eased public-sector demand for borrowed resources, they would thereby lower world interest rates and raise investment, including investment in developing countries. Moreover, to the degree that removing subsidies makes economies more efficient, that would increase income and saving and the global pool of resources for investment.

18. In conclusion, the ultimate aim of an international conference on development financing was seen to be to develop a coherent and agreed strategy to bring about the requisite redeployment of public resources in developed and developing countries and strengthen international financial cooperation for development. By collective action and more coordinated policies, uncertainties would be reduced and, through increased confidence, the looming

steep increase in interest rates would be avoided. It would also perforce work towards a consensus analysis of the several complex factors in the world at large and in the developing countries in particular that were impeding higher rates of investment and economic growth in those countries.

## III. DEVELOPMENT FINANCE AND THE INTERNATIONAL FINANCIAL SITUATION TODAY

19. Much has happened in the realm of international finance in the year since the General Assembly adopted resolution 46/205. Some of the expectations regarding key parameters have not been fulfilled. The pressure on interest rates, in particular, receded as the factors that were to raise the demand for funds were outweighed by a recessionary weakening in borrowing. The recession is however a temporary phenomenon and meanwhile new resource needs have been recognized, especially in the environmental domain as agreed in Agenda 21, which require additional official financing. 10/

### A. Official development assistance

20. As feared, the large increase in ODA received by developing countries in 1990 was not the beginning of a new trend. Indeed, under the most recent OECD estimates, the increase in the dollar value of ODA received by developing countries in 1990 was revised down from 18 per cent to 13 per cent, and the preliminary estimate for 1991 was an increase of only 3 per cent; ODA receipts adjusted for changes in prices and exchange rates were estimated to have fallen slightly last year. 11/

21. Most of the slow-down was accounted for by the sharp curtailment of the aid programmes of the former Soviet Union and the retreat from the large financial effort by Arab Gulf States that was associated with the international response to Iraq's invasion of Kuwait. ODA provided by industrial country members of the Development Assistance Committee (DAC), however, rose over 2 per cent in 1991 in real terms, not counting almost $2 billion of non-concessional official debt forgiven during the year. DAC aid thus continued to follow the average and steady growth path of the past five years of about 2.3 per cent a year, as a result of which the aggregate share of gross national product (GNP) that DAC countries devoted to ODA has remained fixed at 0.34 per cent.

22. Some countries maintain impressive aid efforts that keep their ratios of aid to GNP above the United Nations target of 0.7 per cent, notably Denmark, Finland, the Netherlands, Norway and Sweden, while French assistance to developing countries continues to reach towards the target and Japanese and Swiss aid ratios rise closer to the DAC average. The United States of America, in contrast, whose aid effort has not maintained the pace of other DAC members, ceded its place as the world's largest donor country to Japan and in 1991 registered the lowest ODA/GNP ratio of any DAC member (0.17 per cent). 12/

23. All in all, the prospects for substantial aggregate increases in aid flows to developing countries do not seem bright. Meanwhile, the additional needs for ODA - as for a focused attack on poverty and for greater assistance to environmental programmes in the context of a more broad-based approach to development - far exceed the ODA resources that rapidly growing middle-income countries are able to forgo. Thus, whatever collective exhortation or pressure can be brought to bear on countries that might be in a position to raise their aid programmes above what is now anticipated should be applied. Certainly, the need to use most effectively the aid flows that do become available is now an absolute imperative.

## B. The net transfer of resources and private financing

24. In marked contrast to the difficulty in mobilizing increasing amounts of concessional official resources to support development, private flows to some countries have suddenly climbed. Indeed, they brought about a further improvement in the net transfer of financial resources in 1991. According to the most recent estimate for a sample of 93 capital-importing developing countries, the transfer on a financial basis was a net inflow of $10 billion in 1990; but it rose to $33 billion last year (see A/47/404, table 1). In both years, most of the improvement took place in the region of Latin America and the Caribbean, where most of the negative transfer had been concentrated in earlier years.

25. As in 1990, much of the improved financial transfer was used to boost official foreign exchange reserves. They rose an estimated $46 billion in the 93-country sample, after increasing $36 billion the year before. This time, however, the transfer also helped finance a much enlarged import bill. Unfortunately, as in 1990, the terms of trade once again turned against most capital-importing developing countries and so much of the new transfer was absorbed by these cost factors. The volume of imports nevertheless jumped, especially in Latin America and the Caribbean, where it rose almost 14 per cent, after four years of an average growth of only 5 per cent annually. 13/

26. Not all countries shared in the improved net transfer and easing of import restraints, even in Latin America. The net transfer to sub-Saharan Africa (excluding Nigeria) has remained relatively constant at about $7 billion a year since the mid-1980s, in the face of generally declining terms of trade and several natural and civil calamities. Thus, even if a positive new trend is emerging in the aggregate net transfers of developing countries, the need to help mobilize international financial resources for development - particularly of a concessional nature - still requires considerable international policy attention.

27. However, the change in the aggregate financial flow in 1991 was so large that it is important to be able to discern if it was a passing phenomenon or a new departure for the 1990s. Very partial data for 1992 - such as for changes in reserves and trade balances - suggest that the positive net transfers are

at least continuing this year. They seem to be dominated at the margin by short-term capital attracted by unusually profitable returns from the high domestic interest rates in several countries, mainly in Latin America. Most of these funds are thought to be highly speculative and capable of flowing back to international markets, say, when interest rates in international capital markets rise again. Indeed, the surge in financial inflow has not been matched by a surge in investment, which is one of the reasons official reserve levels have been growing so rapidly.

28. On the other hand, corporate and sovereign-risk borrowers from developing countries, including some that until recently were excluded from the international markets because of foreign debt-servicing crises of their Governments, are increasing their ability to tap medium-term funds in international bond and banking markets, albeit at considerable premia over what less risky credits are charged. 14/ In addition, large corporations, as from Argentina, Chile, India and Mexico, have recently been raising significant amounts of equity capital on international markets and considerable international interest has been shown in foreign equity investment in China. These trends come on the heels of a surge in foreign direct investment in capital-importing developing countries since 1988 under which the net transfer associated with direct investment has become a positive $6 billion or more a year, despite rising dividend and other income payments. 15/

## C. Treatment of the debt of debt-crisis countries

29. At the long-run end of the spectrum of financial instruments and at the short-run end, much hinges on the ability to build and maintain investor confidence in the stability and growth of the domestic economy. This requires appropriate adjustments of policy and adoption of sustainable and equitable growth strategies. But it also requires regularization of foreign debt servicing and elimination of the debt overhang in debt-crisis countries. The slow but measurable progress that is being made in agreeing to more far-reaching restructuring of developing country debt under the international debt strategy, supported by the multilateral financial institutions, is thus quite important.

30. If the outline agreement reached between Brazil and its commercial bank creditors in July 1992 is completed, $150 billion of problem debt of eight major debtor countries will have been brought under the latest standards for debt and debt-service reduction (see A/47/396, sect. II.A). This accounts for 30 per cent of all the medium-term and long-term debt owed by all the capital-importing developing countries taken together. From the perspective of the creditor banks, the international debt problem of the developing countries was highly concentrated in the few major debtors and thus the "debt problem" may seem to them to be almost ended, but much work remains in extending appropriate terms to the many smaller debtor countries that remain in crisis.

31. While the current round of commercial bank debt negotiations has been aimed at finally ending the repeated cycles of debt restructuring, the treatment of debt owed to official creditors - principally through the Paris Club - largely continues to follow a strategy of temporary accommodation to reduced debt-servicing capacity, except for the poorest and most indebted countries. Other than special arrangements made for Egypt and Poland in 1991 and the enhanced concessional treatment that was introduced at the end of that year for the low-income, heavily-indebted countries that had been eligible for the "Toronto terms", Paris Club arrangements recognize the need only for temporary, albeit significant, reductions in the debt-servicing burden through the rescheduling of obligations (see A/47/396, sect. II.B). In this regard, the request made by the seven major industrial countries at the Munich Summit in July was important, namely, that in arranging new debt-servicing terms the Paris Club should recognize the special situation of some highly indebted, lower-middle-income countries on a case-by-case basis. 16/

## D. The fear of crowding out development

32. A major concern one year ago was that new demands for external financial resources for reconstruction in the Middle East and economic transition in former centrally planned economies might crowd out developing country access to foreign credit. There is no evidence that this has happened. It cannot be ruled out completely as a future possibility, however, at least as far as access to international public resources is concerned, but it is quite unlikely that new, reasonable opportunities for private investment will be blocked for lack of funds in developing or transition economies that have achieved a measure of economic adjustment.

33. The international capital markets, in other words, have become quite deep. In particular, they absorbed the new demands for funds from Middle Eastern borrowers in 1991 without any difficulty. Transition economy borrowers have largely been excluded from the market in recent years, except for Czechoslovakia and Hungary which take only limited amounts of new funds. In 1991 the latter arranged $1.7 billion, mostly in bond issues, while the Gulf countries arranged $10 billion in syndicated bank credits. But since total lending in the market that year came to $420 billion, those amounts were easily absorbed. In the first half of 1992, the only significant new borrowing by those countries was a $2.9 billion bank syndication for Saudi Arabia and $0.5 billion, again mainly in bonds, for Hungary. 17/

34. The major determinants of activity in the international capital markets reside in the developed market economies. As these countries were in a period of slowing economic growth or outright recession, overall demand for funds in the market was slackening and most interest rates were falling. The new borrowers were thus easily accommodated. In the medium run, pressures on the overall market from those sources are also not likely to be significant. Transition economies are expected to increase their activity on international financial markets, but the Middle Eastern countries as a group are not likely to have to make extensive net claims on external resources.

35. Some competition for resources might emerge within the high-risk end of the market, where the transition economies and many developing countries might be active, and spreads that they are charged over market interest rates could conceivably be bid upwards as a result. Spreads depend in the first instance, however, on market perceptions of the riskiness of lending to individual borrowers and are thus largely a function, on the one hand, of the pace and success of domestic adjustment programmes and, on the other hand, of the buoyancy of the international economic environment. The base interest rates themselves, however, do not seem poised for a large increase in the near term as the recovery in the world economy as a whole is extremely slow. 18/

36. Developing countries may find themselves in more direct competition with transition economies, however, in attracting direct foreign investment, particularly when investors are seeking a low-cost platform for exports to industrial country markets. Transition economies offer certain potential advantages to investors in terms of location, low wages and highly skilled workers. Indeed, direct investment commitments, notably to Czechoslovakia and Hungary, have burgeoned, although actual spending on the investment projects remains extremely small (see A/47/403, para. 65).

37. It must also be kept in mind, however, that even if a developing and a transition economy directly compete at a certain stage in the location decision of a transnational corporation - as two developing countries might compete - the total amount of direct investment at any time is not a fixed sum and other investments can be arranged. By the same token, if international market forces are given free reign, some of the direct investments will lose the competitive struggle and fail. The policy maker's focus should be on enhancing the contribution of direct investment as a whole from all possible sources in invigorating production and competition.

38. In the realm of official financing, competition for resources between transition and developing countries is a definite possibility but, as in private-sector financing, thus far not a reality. Donor countries have committed themselves on various occasions not to divert official resources from developing to transition economies. 19/ Official commitments have been quite large, over $50 billion to eastern Europe and almost $80 billion for the former Soviet Union, excluding debt restructuring, as at the end of 1991 (see A/47/403, paras. 67 and 69). Disbursements have been smaller, on the order of almost $20 billion in eastern Europe and $30 billion to the USSR last year, but they are likely to grow sharply, as are commitments.

39. To the degree that these resources are channelled through the multilateral institutions, the best protection against diversion from developing country uses is that the institutions be adequately funded. This is especially important as new demands are placed on the institutions, such as for an "earth increment" in lending programmes. It is thus with a great sense of relief that one can finally take note of the passage in October by the United States Government of the legislation required for the ninth quota increase of IMF to come into force, which will allow a 50 per cent increase in Fund lending. Still under negotiation is the tenth replenishment of the

International Development Association (IDA), the concessional lending arm of the World Bank to which certain of the Asian republics of the former Soviet Union would have access, along with the developing countries. In addition, the fourth general capital increase of the Asian Development Bank and the fifth replenishment of the African Development Fund, the concessional window of the African Development Bank, need to be agreed, as well as the fourth replenishment of IFAD. The importance of rapidly concluding such refinancing exercises and substantially adding to the resources of the institutions cannot be emphasized enough.

## E. The supply of savings in developing countries

40. Almost all the investment in developing countries, as in industrial countries, has traditionally been financed from domestic savings. In recent years when the net transfer of financial resources was negative, gross domestic saving was even larger than gross investment, the excess being what was transferred abroad. Two important requirements for development are thus that the gross saving rate be high and that the savings be efficiently allocated to domestic investment.

41. There are both domestic and international factors in building up the saving capacity of developing countries. The former entail building the confidence of people in the prospects of their economy, in its financial stability, in its maintaining fiscal discipline so that deficit financing does not crowd out private investment, in its willingness to let prices reflect real costs, and in its being open to foreign trade opportunities. International factors should also support the growth of savings; but too often the reverse has been the case, as when declining terms of trade reduce real income and savings or when burgeoning export lines confront protectionism in major markets. Experience shows that when the domestic conditions are favourable and the international ones accommodating, and when there is also a significant rate of economic growth, the rate of saving and investment can reach unusually high levels for sustained periods.

42. When this dynamic of development is well under way, foreign savings play a small role. As some of the rapidly growing Asian economies have shown, savings may grow more rapidly than the country's capacity to absorb them and the country then begins to build up its foreign assets and repay its debts. Foreign savings are thus mainly needed in the early stages of the growth process where they can importantly complement what can be accomplished with domestic resources. As raising the rate of saving is the same as reducing consumption, there is little capacity to increase saving when per capita incomes are very low and stagnant. The savings increment out of surging economic growth, however, can be large. 20/

## F. The question of a global savings shortage

43. It was thus a particular concern one year ago that new demands for financial resources might cause a shortage of global savings, a rise in world interest rates and a new constraint on economic activity in developing countries, but the global recession so reduced the demand for resources in 1991 that it made that worry obsolete, at least for the short run. The recession also showed how important world economic growth and trade patterns are to the international availability of resources.

44. One concern that was realized was that Germany became unable to transfer financial resources on a net basis to the rest of the world because of the high cost of transition in its new Länder. Instead of annual German net financial transfers abroad that had averaged over $50 billion during the previous five years, there was a net financial transfer into Germany last year of $7.5 billion. Nevertheless, for almost the first time in a decade, the developed market economies as a whole made a substantial net financial transfer - $24.5 billion - almost all of which found its way into the developing countries. This happened mainly because Japan's net financial transfer increased by $40 billion on the strength of strong exports to Europe and middle-income developing countries, while the large-scale net absorption of foreign resources by the United States declined by $44 billion as its import demand sagged under recession while, like Japan, its exports also grew. A large part of the transfer to developing countries went to major oil exporting countries, which drew down their foreign assets and borrowed abroad but, as noted previously, considerable resources also flowed to the capital-importing countries. 21/

45. The pressing question that this experience leaves open is what happens once economic activity recovers in the industrial world. Some time will be needed before Germany again develops savings surpluses, but Japanese savings can be expected to continue to exceed domestic investment demands for some years. The primary uncertainty is whether the large absorption of foreign saving by the United States economy will return as before.

46. The United States is not the only industrial country that has had a declining long-term trend in gross domestic saving; but its large size means that a savings shortfall of only a few per cent of gross domestic product (GDP) has major implications for international resource flows. A sharp decline in the United States savings rate took place in the early 1980s and a measure of recovery began to take place in the second half of the decade. In both cases the changes mainly involved Government saving and reflected the well-known budget difficulties into which United States policy had fallen. If the United States follows a policy for medium-term budget consolidation, the prospect is good for resumed increases in the share of gross savings in GDP.

47. As a United Nations study of saving in the seven major industrial countries showed, budget consolidation was a major factor in raising gross domestic saving rates in the second half of the 1980s. 22/ It should be so again later in the 1990s, but now is not the time for deficit reduction in

most countries. In the 1980s, especially in the United Kingdom of Great Britain and Northern Ireland and the United States of America, the savings gains from budget consolidation were offset by lower private sector saving, as enterprises and households took on large amounts of debt. Now the private sector is reluctant or unable to spend, while government budgets largely increase in a passive response to the weak economic conditions, except in Japan which announced an emergency fiscal package on 29 August (see E/1992/INF.8).

48. Following Japan's lead, it appears that the most effective way to raise total savings in the industrial countries at this time is temporarily to reduce savings through a one-time fiscal stimulus in the recessionary countries in which inflationary pressures are weak. This would raise total income and total saving would rise in the process, to be followed later by fiscal consolidation in a context that supported higher rates of investment.

49. Policy measures to discourage excessive household and corporate borrowing would help maintain private sector saving rates as well. Most important, however, is more rapid economic growth. Productivity would rise more quickly, making larger increases in real wages sustainable. Innovation and a broader economic dynamism, a greater appetite for imports and a more successful range of exports would follow. Adequate financial resources would then be generated for investment at home and resource transfers abroad.

## IV. INTERNATIONAL OVERSIGHT OF THE FINANCING OF DEVELOPMENT

50. Responding to the proposal of the Secretary-General, the General Assembly, at its forty-sixth session, considered convening an international conference on the financing of development and, as noted previously, requested that the present report be prepared to assist it in considering the issue at its forty-seventh session. Many of the substantive concerns that motivated the Secretary-General were shared by States Members of the United Nations. Two subsequent international conferences, the eighth session of UNCTAD and the United Nations Conference on Environment and Development, paid particular attention to development finance-related issues, and the Development Committee decided in April 1992 to focus its attention on ways to increase financial resources for development. 23/

51. At the end of the eighth session of UNCTAD, Member States declared that a new spirit of international cooperation had emerged, the "Spirit of Cartagena", which would inspire new economic relations between countries, in particular as regards implementing a major new compact, called "A New Partnership for Development: the Cartagena Commitment". Among the many measures contained therein were a considerable number of substantive recommendations dealing, inter alia, with national policies in all countries, the evolving international debt strategy, the needs of low-income countries with substantial debt burdens that continue, at great cost, to service their debt, technical cooperation among developing countries in the area of external debt, the need of developed country donors to implement undertakings they have

made to attain the agreed international target of 0.7 per cent of GNP and of other donors to increase aid flows, enhancing the effectiveness of ODA, continuing consideration of a further allocation of special drawing rights in IMF, promoting foreign direct investment, full and expeditious implementation of the Programme of Action for the Least Developed Countries for the 1990s adopted by the Second United Nations Conference on the Least Developed Countries and the United Nations New Agenda for the Development of Africa in the 1990s, and the role of the UNCTAD secretariat in technical assistance and analysis in the various areas of resources for development, in particular, cooperation with developing countries on debt issues. 24/

52. The United Nations Conference on Environment and Development, the Earth Summit, adopted Agenda 21, chapter 33 of which addresses the question of financial resources and mechanisms. 25/ It is acknowledged that implementation of the numerous sustainable development programmes of Agenda 21 will require that substantial new and additional financial resources be provided to developing countries, including grants and concessional financing. While domestic resources will remain paramount, chapter 33 calls for considerable international support. The latter includes increased ODA, strengthening the role of multilateral development institutions, including regional and subregional development banks, reinforced bilateral assistance programmes, debt relief, private voluntary contributions, mobilization of higher levels of foreign investment and new, innovative ways of generating public and private financial resources. The importance of monitoring and reviewing on a regular basis the adequacy of resources and funding mechanisms, including targets where applicable, is explicitly recognized in Agenda 21.

53. The Development Committee, which comprises 22 Finance Ministers or others of comparable rank, devoted almost all of its 21 September meeting in Washington, D.C., to consideration of the issue of development financing, as outlined for it in a joint analysis by the staffs of IMF and the World Bank. The Committee concluded that the top priority was for developing countries whenever possible to increase their domestic savings and the effectiveness of their use. It noted that measures that promote domestic investment are also likely to attract foreign investment and the return of flight capital. It commended the active role of the regional development banks, as well as the World Bank and IMF, in promoting investment reforms, privatization and financial sector reform. In the light of the need of developing countries to increase earnings from trade, the Committee emphasized the need for rapid agreement on the outstanding issues in the Uruguay Round of trade negotiations and agreed that regional trade arrangements should emphasize trade creation and ensure trade opportunities for developing countries.

54. With respect to promoting increased international financial flows per se, the Committee, while noting the work undertaken in other forums to develop principles for the conduct of foreign investors, called attention to a set of investment guidelines prepared at its request to promote fair and equitable international standards for the general treatment of all foreign direct investment in the absence of applicable treaties. The Committee did not expect commercial bank lending to developing countries to return to previous

levels, but seeing the improved economic performance of countries that had concluded negotiations to reduce bank debt and debt servicing, it encouraged the timely conclusion of negotiations between other countries and their banks. The Committee also called upon the Paris Club to recognize the special situation of some highly indebted, lower-middle-income countries and noted the enhanced debt relief now being extended to the poorest countries. The Committee furthermore acknowledged the continued need to support heavily indebted countries adopting strong adjustment programmes that have avoided rescheduling their debts.

55. Taking into consideration the greater need for ODA for additional countries and requirements, especially in the environmental field, the Committee invited donors to increase their assistance, particularly for countries that are sustaining sound policies. This call was addressed especially to Governments whose aid programmes were still below 0.7 per cent of GNP and it welcomed the contribution of Governments whose aid was substantially above that level. It stressed the need for donors and recipients to emphasize aid quality and effectiveness and for an increased proportion to be directed to improving the living conditions of the poor, the poorest countries and those with a strong commitment to poverty reduction. With respect to multilateral assistance, the Committee recommended that continuing consideration be given to an "Earth Increment" in the negotiations to replenish IDA, which should be decided by the end of the year. In addition, the Committee looked forward to the examination by the IMF Executive Board of a possible successor facility to the concessional Enhanced Structural Adjustment Facility whose commitment authority had been extended to November 1993.

56. Finally, in the realm of official, non-concessional lending, the Committee welcomed the World Bank's assurance that its current capital base was sufficient to sustain and enhance lending to existing borrowers and provide substantial support for economic reform and adjustment of the countries of the former Soviet Union. The Committee also decided to devote most of its meeting on 1 May 1993 to means to increase private sector flows to developing countries, including the role of multilateral financial institutions in catalyzing and gearing up such flows.

57. The communiqué of the Committee at the September meeting thus touched on many of the financial issues of concern to the Secretary-General. Yet, taking into account domestic and external efforts, a broader approach, with the ultimate objective of giving a major stimulus to the mobilization of resources for development, can be achieved at an international conference. In any event, it is likely that the final consensus on detailed and technical aspects of international finance for development would be fully discussed by government financial experts, particularly experts from the ministries of finance which also deal with IMF and World Bank issues, two institutions that now have a universal character.

58. The world's Governments have entrusted the General Assembly with oversight responsibilities for development and international economic cooperation. Questions of the overall adequacy of the volume, terms and effective application to investment of domestic and international financial resources for development are a traditional and warranted topic for discussion.

59. The General Assembly already has a responsibility to make an international assessment of the adequacy of development finance in terms of meeting the goals and objectives of the international community's agreed programme for the 1990s, the International Development Strategy for the Fourth United Nations Development Decade. A first appraisal of the implementation of that strategy is being undertaken at the present session of the General Assembly. It is perforce a tentative one, as it is difficult to know yet whether certain international developments, including those discussed in section III above, are new trends or temporary phenomena. The mid-term review and appraisal will also be an opportunity to be more definitive.

60. Meanwhile, the shortage of savings which had been feared has not emerged, interest rates have fallen and international capital markets are proving to be less constrained than expected. The sense of urgency in this respect has diminished considerably.

61. The forty-seventh session of the General Assembly is taking place at a time of global economic change. The considerations outlined above and the consultations discussed in the annex to the present report, as well as the views expressed in 1991 and 1992 by many members of the United Nations during deliberations in the Economic and Social Council and the General Assembly, provide a new background against which the General Assembly may wish to consider whether it is, in fact, an appropriate time to convene an international conference on development finance.

## Notes

1/ The other agenda items are 12 (Report of the Economic and Social Council, in particular in regard to the report of the Secretary-General on the impact of the evolution of east-west relations on global growth and development); 78 (Development and international economic cooperation, in particular with respect to consideration of the conclusions and recommendations of the Commonwealth Group of Experts on the Impact of Global Economic and Political Change on the Development Process and the report of the Secretary-General on the net transfer of resources between developing countries and developed countries); 82 (External debt crisis and development, on which a report of the Secretary-General was also prepared); and 84 (International cooperation for economic growth and development, in particular with regard to the reports of the Secretary-General on implementation of the commitments and policies agreed upon in the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries and the International Development Strategy for the Fourth United Nations Development Decade).

Notes (continued)

2/ See Official Records of the General Assembly, Forty-sixth Session, Supplement No. 3 (A/46/3/Rev.1), chap. III, paras. 6-14.

3/ See the Declaration on International Economic Cooperation, in particular the Revitalization of Economic Growth and Development of the Developing Countries (General Assembly resolution S-18/3 of 1 May 1990, annex), and the International Development Strategy for the Fourth United Nations Development Decade (Assembly resolution 45/199 of 21 December 1990, annex).

4/ See Development Co-operation, 1991 Report, report of the Chairman of the Development Assistance Committee (Paris, OECD, 1991), p. 113.

5/ The net transfer - or more properly, the net transfer on a financial basis - is defined as the net international cash flow arising from all foreign investment, lending and grants, all capital outflows of the domestic private sector and government, excluding the central bank, all income payments to foreign capital (interest, dividends, etc.) and all income payments received from investments abroad. The sample comprised 93 capital-importing developing countries. See World Economic Survey, 1991 (United Nations publication, Sales No. E.91.II.C.1), p. 231.

6/ See World Economic Survey, 1991 ..., p. 68.

7/ Based on data in World Economic Survey, 1991 ..., p. 224.

8/ World Economic Survey, 1991 ..., p. 80, and data of the Bank for International Settlements (see International Banking and Financial Market Developments, May 1992, p. 31).

9/ World Economic Survey, 1991 ..., p. 118.

10/ The secretariat of the United Nations Conference on Environment and Development estimated as an order of magnitude that the average annual cost of implementing the activities of Agenda 21 in 1993-2000 in the developing countries would exceed $600 billion, although actual cost will depend, inter alia, on the specific strategies and programmes Governments decide to implement. See Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992 (A/CONF.151/26 (Vol. III)), para. 33.18.

11/ "Financial resources for developing countries: 1991 and recent trends", OECD press release, 30 June 1992.

12/ This excludes the value of the cancellation of $1.85 billion of military debt in 1991; including the debt write-off, the United States aid ratio was 0.2 per cent of GNP, according to OECD.

Notes (continued)

13/ Data of World Economic Survey, 1992 (United Nations publication, Sales No. E.92.II.C.1), p. 203.

14/ For additional details, see Financial Flows to Developing Countries: Current Developments, a quarterly review of the World Bank, June 1992.

15/ World Economic Survey, 1992 ..., p. 216.

16/ "Working together for growth and a safer world", final declaration of the Summit Meeting of seven major industrial nations, Munich, 8 July 1992, para. 23.

17/ Data of OECD, Financial Statistics Monthly, July 1992.

18/ See "The world economy in 1992: an update" (E/1992/INF.8) and World Economic Survey, 1992 ..., chap. I.

19/ See, for example, the concluding statement of the Chairman of the Special High-level Meeting of the Economic and Social Council (Official Records of the General Assembly, Forty-sixth Session, Supplement No. 3 (A/46/3/Rev.1), chap. II).

20/ For example, the gross domestic savings rate was above 28 per cent of gross domestic product (GDP) in rapidly growing south and east Asia in 1989 and 1990, but was under 10 per cent of GDP in the economically stagnant region of sub-Saharan Africa (excluding Nigeria). In China, the savings rate surpassed 40 per cent of GDP in 1990 (see World Economic Survey, 1992 ..., p. 195).

21/ See World Economic Survey, 1992 ..., pp. 70 and 72.

22/ See World Economic Survey, 1992 ..., pp. 89-98.

23/ Development Committee press communiqué, Washington, D.C., 28 April 1992.

24/ See Proceedings of the United Nations Conference on Trade and Development, Eighth Session (TD/364), paras. 91-124.

25/ See Report of the United Nations Conference on Environment and Development ... (A/CONF.151/26 (Vol. III)).

ANNEX

Views of multilateral financial institutions

1. In preparing the present report, the Secretariat held consultations and technical discussions with IMF, the World Bank, the International Finance Corporation, the Executive Secretary of the Development Committee, the African Development Bank, the Asian Development Bank, the Inter-American Development Bank and UNCTAD. While these interchanges helped strengthen the analysis of the report, they did not provide a clear-cut case for holding an international conference on development financing at the present juncture. In any event, there was almost a consensus that if all States Members of the United Nations gave strong, unequivocal support to the proposal of convening an international conference on development finance, it would achieve significant results.

2. Interest was expressed by one party or another in taking a regional approach or a topical approach. The strength of the former approach would be to focus first on different needs of the various developing country regions and then feed the outcome of the regional endeavours into a global conference. The case for a more topical approach entailed, inter alia, an opportunity to highlight the financing needs of social development and poverty reduction.

3. Officials from Bretton Woods institutions observed that various international forums now worked on a continuing basis on the issue of adequacy of resource flows for development and that the expectation of what an additional forum would accomplish had to be examined carefully. Indeed, one concern expressed was that the proposed conference might divert energies and efforts from the follow-up to the United Nations Conference on Environment and Development, especially the consideration of financing the implementation of Agenda 21. On the other hand, it was considered important that forthcoming international conferences on development issues, such as the 1994 Population Conference and, if approved, the social development summit, should actively address financial issues, especially the availability of concessional resources, as part of their multifaceted agendas.

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# UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

## Report of the Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Rapporteur: Mr. Lasse SEIM (Norway)

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# I. INTRODUCTION

## A. Origin and background of the Working Group

1. The Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established by the General Assembly under resolution 2656 (XXV) of 7 December 1970 to study all aspects of the financing of the Agency. In the resolution, the Assembly requested the Working Group to assist the Secretary-General and the Commissioner-General of UNRWA in reaching solutions to the problems posed by the Agency's financial crisis.

2. At the twenty-fifth and succeeding sessions, the General Assembly considered the reports submitted to it by the Working Group, 1/ and adopted resolutions commending the efforts of the Working Group and requesting it to continue them for a further year. 2/

3. The Working Group consists of the representatives of France, Ghana, Japan, Lebanon, Norway, Trinidad and Tobago, Turkey, the United Kingdom of Great Britain and Northern Ireland and the United States of America. The Chairman of the Working Group is Mr. Mustafa Aksin of Turkey.

## B. Consideration of the report of the Working Group at the forty-sixth session of the General Assembly

4. The report of the Working Group on its activities in 1991 3/ was considered by the General Assembly at its forty-sixth session under agenda item 72, entitled "United Nations Relief and Works Agency for Palestine Refugees in the Near East". At its 3rd plenary meeting, on 20 September 1991, the Assembly decided to include this item in its agenda and to allocate it to the Special Political Committee, which considered it at its 22nd to 25th meetings on 15 and from 18 to 20 November 1991.

5. At the 25th meeting of the Committee, on 20 November 1991, the representative of the Netherlands introduced a draft resolution entitled "Working Group on the Financing of the United Nations Relief and Works Agency for Palestine Refugees in the Near East" (A/SPC/46/L.13) sponsored by Austria, Bangladesh, Canada, Denmark, Germany, Indonesia, Malaysia, the Netherlands, New Zealand, Pakistan, the Philippines, Spain, Sweden and Yugoslavia, and subsequently joined by Turkey.

6. Under the terms of the draft resolution, the General Assembly would:

(a) Commend the Working Group for its efforts to assist in ensuring the Agency's financial security;

(b) Take note with approval of the report of the Working Group;

(c) Request the Working Group to continue its efforts, in cooperation with the Secretary-General and the Commissioner-General of UNRWA, for the financing of the Agency for a further period of one year;

(d) Request the Secretary-General to provide the necessary services and assistance to the Working Group for the conduct of its work.

7. At its 25th meeting, on 20 November 1991, the Committee adopted the draft resolution without a vote.

8. At its 66th plenary meeting, on 9 December 1991, the General Assembly considered the draft resolution regarding the Working Group, which had been recommended by the Special Political Committee together with other draft resolutions under this item. On 9 December 1991, the Assembly adopted the draft resolution without a vote as resolution 46/46 B.

## II. ACTIVITIES OF THE WORKING GROUP DURING 1992

9. Throughout the year, the members of the Working Group have followed with concern the difficulties experienced by the Agency and in particular the serious financial situation it continued to face. The Working Group held two meetings, on 2 September and 22 October 1992, to consider the recent developments in the Agency's financial situation and to prepare its report to the General Assembly. The Working Group adopted its report at its meeting on 22 October 1992.

10. At its meeting on 2 September 1992, the Working Group heard the Comptroller of UNRWA, who submitted an up-to-date report on the financial situation of the Agency. The Working Group gave further consideration to the Comptroller's report at its meeting on 22 October 1992 (see sect. III below).

## III. FINANCIAL SITUATION OF THE UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES IN THE NEAR EAST

11. UNRWA received sufficient funds in 1991 to implement its regular programme in basic accordance with established plans. The Agency ended the year with an excess of income over expenditure of $14.3 million, of which $3.4 million was allocated to finance unfunded construction projects, $1.5 million was allocated to the Gaza Hospital Fund and $0.9 million was used to cover a deficit arising in the special account set up for extraordinary costs incurred as a result of the Persian Gulf war and its aftermath. Of the remainder of the surplus, $6.5 million was set aside as a special reserve for emergencies and other contingencies and $2 million was added to the Agency's working capital in the General Fund. At the end of 1991, the Agency's working capital reserve amounted to some $33.7 million. This was equivalent to expenditure on the Agency's regular operations for a period of between six and seven weeks at the level budgeted for 1993. By the end of 1991, the account for Funded Ongoing Activities, which are a core part of the Agency's regular

programme budget, showed a negative balance of $6.3 million. The fund for Extraordinary Measures in Lebanon and the Occupied Territory (EMLOT) showed a positive balance at the end of 1991 of $5.5 million. However, even with additional income of $2.9 million received or pledged for EMLOT in 1992, this was insufficient to cover anticipated expenditure of $13 million for EMLOT programmes in 1992. Indeed, the funding for EMLOT was expected to be between $4 million and $5 million below budgeted levels by the end of 1992, and the difficulty of obtaining adequate funding on an ongoing basis for the EMLOT programme is a matter of serious and continuing concern, particularly in the light of prevailing uncertainties regarding future developments in the area.

12. Present indications are that UNRWA's 1992 regular programme is not fully funded by income received so far in 1992 or expected to be paid until the end of the year. This means that there may be an excess of expenditure over income on the order of $3 million to $4 million by the end of 1992, which would need to be covered by the Agency's working capital. So far, only some $9 million in funding has been obtained to finance capital and other construction projects budgeted for $14 million in 1992, leaving an unfunded balance of $5 million in this account. In 1992, agreement was reached with the Commission of the European Community to finance the construction phase of a 232-bed general hospital, which the Agency plans to build in the Israeli-occupied Gaza Strip. With a pledge of some $18 million from the European Community and another $1.8 million already received for this project by the beginning of 1991, the Gaza General Hospital project was able to enter the pre-tendering phase. However, funding still has not been secured for the equipping and furnishing of the hospital, or for its running costs for the first three years. Of the total estimated project cost of $35 million to build and equip the hospital and run it for three years, there remains an unfunded balance of $15.2 million, which should be met as soon as possible so that this vital project may be realized. In addition to EMLOT, the Agency continues to solicit funding for an Expanded Programme of Assistance (EPA). Contributions to this fund are used to finance a variety of projects such as infrastructural improvements to upgrade the quality of life of the refugees, pending a political solution. At present, some 200 projects are under implementation with a total budget of some $32 million. Budgets are established for projects under EPA as contributions are received. When the EPA was established in 1988, a $65 million programme of improvements was envisaged.

13. UNRWA is nearly mid-way through its current biennial budget for 1992-1993, which anticipates requirements of a total of $572 million for the core activities of the Agency under the General Fund, Funded Ongoing Activities and Capital and Special Projects. The 1992 share of these financial requirements was budgeted at $274.8 million, 4/ including some $14.4 million for Capital and Special Projects for which, as indicated above, only $9 million has actually been received, meaning that the implementation of a number of construction projects may have to be deferred to 1993 or later. Of the 1992 requirements, some $28.3 million is expected to be received in the form of in-kind contributions.

14. Deteriorating socio-economic conditions in the region have given rise to concern that the Agency's programmes of special assistance, which are already chronically underfunded, may not be sufficient to meet real humanitarian needs in the refugee community. These programmes of special assistance, embracing not only emergency responses but also longer-term economic development programmes such as job-creation and income-generating projects, should be seen against the backdrop of expected political changes in the region stemming from the ongoing peace process. The Agency's programmes, therefore, must be maintained not only to meet the present needs of the refugees and others in need but also with a view to enhancing economic prospects and building political confidence for the future. In the wake of the Persian Gulf war and its aftermath, including the resulting dislocation of tens of thousands of refugees and other Palestinians from the Gulf region, the Commissioner-General launched an appeal to donor Governments for special contributions to finance emergency assistance programmes in the Occupied Territory, Lebanon and Jordan. Among the projects identified for urgently required funding were additional classrooms to accommodate students whose families had returned to the area from the Gulf, and the replacement or renovation of Agency schools, clinics and other installations damaged or destroyed by the harshest winter weather in the region in living memory. Unfortunately, the response to two appeals issued by the Commissioner-General for such assistance, one in November 1991 and the other in April 1992, has been disappointing. So far, only about $6.9 million has been received or pledged from a handful of generous donors in response to these appeals.

## IV. CONCLUDING REMARKS

15. The Working Group is pleased to note that UNRWA received sufficient funding to deliver the essential parts of its programmes in 1991 and expects to do so again in 1992. It expresses its appreciation to donors, especially those who increased their cont ibutions, for making this possible. It notes with concern, however, the difficulties experienced in maintaining the required level of contributions to sustain the EMLOT programme and that the EPA Fund and the emergency funding requirements outlined in the Commissioner-General's special appeals of November 1991 and April 1992 are still undersubscribed. It is particularly concerned that the EMLOT programme faces a serious cash shortfall and that the urgent needs pinpointed in the Commissioner-General's special appeals have not been fully addressed.

16. The Working Group commends the Commissioner-General for his efforts at fund raising. These include regular visits to donor countries, as well as informal meetings at Vienna with major donors and others, to explain the Agency's programmes and to discuss its problems. During the past year, UNRWA has been engaged in several promotional activities, including the production and exhibition of video documentaries, as well as participation in a number of fairs and international expositions such as EXPO-92 in Seville, Spain. The Commissioner-General has thus maintained and strengthened the relationship between UNRWA and its donors, which is indispensable if it is to surmount the very difficult problems it faces in sustaining financial support.

17. The Working Group shares the Commissioner-General's concern about the funding prospects for 1993. The Agency's expenditure in its regular programme is once again expected to increase by 5 per cent in order to meet the needs of a growing number of beneficiaries, especially school children, and to cover unavoidable increases in prices and staff salaries. While the Working Group is confident that the Commissioner-General will continue to keep a close watch on expenditures and to improve administrative efficiency, it seems inevitable that an increase in contributions will be necessary to cover expected expenditure on the regular programme. The Working Group is particularly concerned at the state of funding for the emergency-related programmes financed under EMLOT and EPA and for the remaining shortfalls in funding for the Gaza Hospital Fund and for the projects identified by the Commissioner-General for urgently needed funding in the wake of the Gulf crisis, despite the generous responses of some donors to funding appeals for the latter two programmes. There can be no doubt that these programmes are vital to the well-being of the refugee population and others in need in Lebanon, Jordan and the Israeli-occupied territory of the West Bank and Gaza Strip, who have in the year since the last report of this Group experienced additional hardship resulting from dislocation and the deterioration of socio-economic conditions in the region. The discontinuance of, or any reduction in, assistance to these populations could have disturbing humanitarian and political consequences. The Working Group commends the Agency for its response to these new and continuing humanitarian needs and for the measures it plans for the future, particularly in the areas of job-creation and income-generating projects, to help meet these needs. Inevitably, however, these new initiatives will place an even greater burden on the Agency's resources, which will require special fund-raising efforts and generous responses from the international community.

18. The Working Group therefore strongly urges all Governments to bear in mind the foregoing considerations when deciding upon the level of their contributions for 1992. In particular it urges that:

(a) Governments that have not yet contributed to UNRWA should start to do so;

(b) Governments that have so far made only relatively small contributions should increase their contributions;

(c) Governments that in the past have made generous contributions to UNRWA should continue to do so and should strive to increase them;

(d) Governments should consider making special contributions in support of the emergency-related programmes in Lebanon and in the occupied territory of the West Bank and Gaza Strip that would not affect their contributions to the regular programme;

(e) Governments should consider making special additional contributions for construction projects that would not affect their contributions to the regular programmes.

19. The Working Group notes that the Commissioner-General has continued his efforts to attract contributions to UNRWA from as wide a range of sources as possible, and urges the wealthier Governments in the region, in particular, to increase the level of their contributions.

## Notes

1/ Official Records of the General Assembly, Twenty-fifth Session, Annexes, agenda item 35, document A/8264; ibid., Twenty-sixth Session, Annexes, agenda item 38, document A/8476; ibid., Twenty-seventh Session, Annexes, agenda item 40, document A/8849; ibid., Twenty-eighth Session, Annexes, agenda item 43, document A/9231; ibid., Twenty-ninth Session, Annexes, agenda item 38, document A/9815; ibid., Thirtieth Session, Annexes, agenda item 54, document A/10268 and A/10334; ibid., Thirty-first Session, Annexes, agenda item 53, document A/31/279; ibid., Thirty-second Session, Annexes, agenda item 55, document A/32/278; ibid., Thirty-third Session, Annexes, agenda item 50, document A/33/320; ibid., Thirty-fourth Session, Annexes, agenda item 50, document A/34/567; ibid., Thirty-fifth Session, Annexes, agenda item 53, document A/35/579; ibid., Thirty-sixth Session, Annexes, agenda item 60, document A/36/615; ibid., Thirty-seventh Session, Annexes, agenda item 65, document A/37/591; ibid., Thirty-eighth Session, Annexes, agenda item 73, document A/38/558; ibid., Thirty-ninth Session, Annexes, agenda item 75, document A/39/575; ibid., Fortieth Session, Annexes, agenda item 79, document A/40/736; ibid., Forty-first Session, Annexes, agenda item 79, document A/41/702; ibid., Forty-second Session, Annexes, agenda item 79, document A/42/633; ibid., Forty-third Session, Annexes, agenda item 76, document A/43/702; ibid., Forty-fourth Session, Annexes, agenda item 74, document A/44/641 and ibid., Forty-fifth Session, Annexes, agenda item 74, document A/45/645.

2/ Resolutions 2791 (XXVI) of 6 December 1971, 2964 (XXVII) of 13 December 1972, 3090 (XXVIII) of 7 December 1973, 3330 (XXIX) of 17 December 1974, 3419 (XXX) of 8 December 1975, 31/15 C of 23 November 1976, 32/90 D of 13 December 1977, 33/112 D of 18 December 1978, 34/52 D of 23 November 1979, 35/13 D of 3 November 1980, 36/146 E of 16 December 1981, 37/120 A of 16 December 1982, 38/83 B of 15 December 1983, 39/99 B of 14 December 1984, 40/165 B of 16 December 1985, 41/69 B of 3 December 1986, 42/69 B of 2 December 1987, 43/57 B of 6 December 1988, 44/47 B of 8 December 1989 and 45/73 B of 11 December 1990.

3/ Official Records of the General Assembly, Forty-sixth Session, Annexes, agenda item 72, document A/46/622.

4/ Ibid., Forty-seventh Session, Supplement No. 13 (A/47/13).

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REVIEW OF THE IMPLEMENTATION OF THE DECLARATION ON THE STRENGTHENING OF INTERNATIONAL SECURITY

SECURITY COUNCIL
Forty-seventh year

Letter dated 24 October 1992 from the Chargé d'affaires a.i. of Yugoslavia to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith a letter from His Excellency, Mr. Dobrica Cosic, President of the Federal Republic of Yugoslavia, addressed to the Co-Chairmen of the International Conference on the former Yugoslavia, Mr. Cyrus Vance and Lord Owen, concerning the attacks by the Croatian Army on the territory of Eastern Herzegovina (Bosnia-Herzegovina) (see annex).

I should be grateful if you would have the present letter and its annex circulated as an official document of the General Assembly, under agenda item 69, and of the Security Council.

(Signed) Dragomir DJOKIC
Ambassador
Chargé d'affaires a.i.

ANNEX

Letter from the President of the Federal Republic of Yugoslavia to the Co-Chairmen of the International Conference on the former Yugoslavia

According to my information and reports of the United Nations Protection Force (UNPROFOR) and the European Community Monitoring Mission (ECMM) the Yugoslav Army very correctly and without a single incident withdrew its forces from the territory of the Republic of Croatia on 20 October 1992.

However, immediately after the withdrawal of the Yugoslav Army from Cavtat and Konavle on 19 and 20 October 1992, members of the Army of the Republic of Croatia caused an incident and opened fire on the territory of Eastern Herzegovina (Bosnia-Herzegovina).

Between 20 and 23 October 1992, on a number of occasions, from the region of Kupari, Cavtat and Konavle, they have opened artillery and rocket fire against the municipality of Trebinje and then tried to carry out infantry attacks.

On 22 October 1992 a group of four members of ECMM were detained in Cavtat. They spent about six hours in prison, and after they were released from prison and came to Herzegovina, to the territory of the Federal Republic of Yugoslavia, they stated that they were maltreated by members of the Croatian Army and that they wished to go back to the Netherlands.

On 21 October 1992 Croatian authorities from Dubrovnik cut off the water supply to the municipality of Herceg Novi.

The incident that you informed me about on 24 October was caused by Croatian Army forces.

The attack was started with artillery and rocket fire from the region of Kupari and Cavtat, followed by infantry forces acts in the direction of Trebinje, towards Zaplanik-Hum, Zaplanik-Orah and Zvekavica-Poljice.

Mr. Co-Chairmen,

It is evident from the above that the Republic of Croatia is disregarding the agreement signed by myself and President Tudjman at Geneva, as well as the Vance plan, and that it is in that way threatening the citizens in the territory of the Federal Republic of Yugoslavia.

The Federal Republic of Yugoslavia bears no responsibility for the above-mentioned conflicts.

However, such behaviour of the Croatian Army makes me inform you of the following: in the case that the Croatian side refuses to allow the supply of water to Herceg Novi and does not stop its activities, Serbs from Eastern Herzegovina shall be forced to discontinue the supply of water and electricity to Dubrovnik and its surroundings.

Dobrica COSIC
President of the Federal Republic
of Yugoslavia

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REVIEW OF THE IMPLEMENTATION OF THE
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OF INTERNATIONAL SECURITY

SECURITY COUNCIL
Forty-seventh year

Letter dated 24 October 1992 from the Chargé d'affaires a.i. of Yugoslavia to the United Nations addressed to the Secretary-General

Corrigendum

The following correction has been requested by the Permanent Mission of Yugoslavia to the United Nations:

Annex

The fourth paragraph should read

On 22 October 1992 a group of four members of ECMM were detained in Cavtat. They spent about six hours in prison, and after they were released from prison and came to Hercegnovi, to the territory of the Federal Republic of Yugoslavia, they stated that they were maltreated by members of the Croatian Army and that they wished to go back to the Netherlands.

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UNITED
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General Assembly

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A/47/578
26 October 1992

ORIGINAL: ENGLISH

Forty-seventh session
Agenda item 114

# UNITED NATIONS PENSION SYSTEM

## Report of the Advisory Committee on Administrative and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board to the General Assembly at its forty-seventh session. 1/ The Committee also had before it the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund (A/C.5/47/8). The Committee received additional information from the secretariat of the Fund, the Chairman of the Board, and, with regard to the Fund's investments, from representatives of the Secretary-General.

2. Paragraphs 18 to 39 of the report of the United Nations Joint Staff Pension Board deal with actuarial matters, including the methodology and assumptions for the actuarial valuation of the Fund scheduled for 31 December 1993. In this connection, the Advisory Committee notes that the recommendations of the Committee of Actuaries were made on the basis of experience data available in June 1992; however, those preliminary recommendations will be reviewed next year. In the event that changes, particularly in the demographic assumptions, are considered necessary, they would be recommended to the Standing Committee next year.

3. Investment issues, including the management of the Fund's assets, are discussed in paragraphs 40 to 52 of the Board's report; the annual report of the Secretary-General on investments of the Fund is contained in document A/C.5/47/8. Matters relating to investments of the Fund are also discussed in the report of the Board of Auditors, which is contained in annex III to the Board's report.

4. As at 31 March 1992, the market value of the Fund's assets amounted to $10,111 million; the corresponding figure as at 31 March 1991 was $9,338 million. As stated in paragraph 42 of the Board's report, the total



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investment return for the year was 7.6 per cent, which, after adjusting for inflation, represents a "real" rate of return of 4.3 per cent.

5. As indicated in paragraph 49 of the report, the Board expressed its concern "that outstanding tax claims were having an adverse impact on the investment returns of the Fund". The Board has also requested that detailed information be provided to the General Assembly regarding the results of negotiations with certain countries on the question of tax exemptions for the Fund's investments and the actions taken or contemplated when a recognition of tax-exempt status was not granted.

6. The question of long-outstanding tax refunds is addressed in paragraphs 33 to 37 of the report of the Board of Auditors as contained in annex III to the report of the United Nations Joint Staff Pension Board. As indicated in paragraph 37 thereof, the Board of Auditors urges the Administration to "take more effective measures in effecting appropriate disposition of the outstanding taxes, especially those that have remained outstanding for years". In this connection, as indicated in paragraph 57 of the report of the Pension Board, the Representative of the Secretary-General for investments of the Fund stated that he would continue the extensive efforts to redress the problem.

7. In response to inquiry regarding the outstanding taxes, the Advisory Committee was informed that by the end of September 1992, $4.6 million of the total outstanding $12.4 million had been collected. Of the remaining balance of $7.8 million, $4.0 million relate to Spain, and $1.1 million to Italy. The Committee was also informed that tax exemption on investments of the Fund had recently been granted by India, Kenya, the Philippines and Tunisia, while applications for tax exemption were being considered by Spain, Italy, Argentina, Brazil, Chile, Mexico, the Republic of Korea and Zimbabwe. Thailand has denied such exemption. The Committee was also informed that the local currency shown in respect of the outstanding tax refunds due from India in schedule 4 of annex II of the report of the United Nations Joint Staff Pension Board should be changed from rupees to pounds sterling.

8. In addition to the question of outstanding tax refunds, the report of the Board of Auditors addresses a number of other matters including the current system for issuing and verifying certificates of entitlements. As stated in paragraph 44 of the report of the Board of Auditors, "the Board recommended and the Administration agreed that there is a need to reassess the existing system of verifying continuous entitlement of benefits through the issuance and accomplishment of the Certificates of Entitlement. This review should consider the practicability of the system and the availability of present technology as well as ensure that there is adequate and regular verification of entitlements of the beneficiaries of the Fund". This point is elaborated on in paragraph 56 of the report of the Pension Board, wherein the Board notes the Secretary's intention to re-examine the process of certification, with a view to incorporating random sampling techniques "in order to achieve an effective but manageable system of verification of continued eligibility for pension payments". The Advisory Committee agrees to this approach. In this

connection, it recommends that, prior to the submission of the report to the Board at its next session, the Secretary carry out, on a test basis, a number of actual random verifications, and that on the basis of such experience, the Secretary of the Board propose changes to the above-mentioned process.

9. Paragraphs 59 to 81 of the report of the United Nations Joint Staff Pension Board deal with the comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories. In this connection, the Advisory Committee recalls that the General Assembly, in its resolution 46/192, inter alia, concurred "with the conclusions of the International Civil Service Commission and the United Nations Joint Staff Pension Board that further studies are required of possible alternative methodologies in order to determine the most equitable solution for all parties concerned, including in particular studies of the feasibility of determining pensionable remuneration and/or pensions by reference to the local practices of employers used in General Service salary surveys, of the use of the income replacement approach followed in determining the pensionable remuneration of staff in the Professional and higher categories, and of the use of local taxes to derive the pensionable remuneration from the net pensionable salaries".

10. As indicated in paragraph 60 of the report of the Board, two basic methodological approaches were considered by the Board. However, as stated in paragraph 70, the Board concluded that it would be preferable to pursue the approach which relates General Service pensionable remuneration and pensions to salaries while in service.

11. As stated in paragraph 72 of the report of the Board, views differed in the Board on the desirability and implications of various aspects of this approach. The Chairman of the Board, in an effort to bridge differences among the three constituent groups, made a specific proposal as outlined in paragraphs 77 and 78 of the report; however, no consensus was achieved. The position of each group is contained in annex VIII to the report. The views of the Board were transmitted to the July/August session of the International Civil Service Commission (ICSC), the conclusions and recommendations of which are contained in paragraphs 70 to 100 of the report of the Commission to the General Assembly. 2/ In this connection, the Advisory Committee urges the Assembly, when considering those recommendations, to bear in mind the Committee's previous position that recommendations should aim at eliminating current anomalies in the system without creating new ones. 3/

12. As discussed in paragraphs 86 and 87 of the report of the Board, by its resolution 46/192, the General Assembly approved the modification of the pension adjustment system recommended by the Board with respect to the determination of the initial local-currency pensions of participants in the Professional and higher categories, separating on or after 1 April 1992, who provide proof of residence in a high-cost country. In the same resolution, the Assembly, inter alia, endorsed the Advisory Committee's view that the Board should, on the basis of experience with actual costs, determine whether any fine-tuning of the modification was warranted to limit the costs and that

the guidelines set forth in Assembly resolution 31/196 of 22 December 1976 should continue to be taken into account. The Assembly also requested the Board at its next regular session to continue to consider economy measures, including in particular a change of the "120 per cent cap" provision under the two-track pension adjustment system.

13. The Advisory Committee notes the Board's position that because the modification entered into effect on 1 April 1992, it was too early to undertake a meaningful assessment of its actual costs. The Board's views with regard to the other studies referred to in paragraph 86 of its report, including the "120 per cent cap" provision, are contained in paragraphs 89 to 105 of the report of the Board.

14. While agreeing in principle that the "120 per cent cap" could be changed with effect from either 1 January 1995 or 1 April 1995, the Board has, as indicated in paragraph 96 of the report, requested the Secretary to prepare a further study for its 1994 session on such change, including the level to which the current cap could be lowered. The Committee will therefore await the results of this study before commenting on the matter; at this stage it reiterates, once again, its support for the guidelines set forth in General Assembly resolution 31/196, and its view that the Board should continue to seek other economy measures. 4/

## Notes

1/ Official Records of the General Assembly, Forty-seventh Session, Supplement No. 9 (A/47/9).

2/ Ibid., Supplement No. 30 (A/47/30).

3/ A/46/614, para. 14.

4/ Ibid., para. 23.

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26 October 1992
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GENERAL ASSEMBLY
Forty-seventh session
Agenda items 69, 88 and 117
REVIEW OF THE IMPLEMENTATION OF THE
DECLARATION ON THE STRENGTHENING OF
INTERNATIONAL SECURITY
INTERNATIONAL ASSISTANCE FOR THE ECONOMIC
REHABILITATION OF ANGOLA
FINANCING OF THE UNITED NATIONS ANGOLA
VERIFICATION MISSION

SECURITY COUNCIL
Forty-seventh year

Letter dated 23 October 1992 from the Permanent Representative of the United Kingdom of Great Britain and Northern Ireland to the United Nations addressed to the Secretary-General

I enclose a copy of the statement on Angola made by the European Community and its member States in London and Brussels on 22 October 1992 (see annex).

I should be grateful if the text of the present letter and its annex could be circulated as an official document of the General Assembly, under agenda items 69, 88 and 117, and of the Security Council.

(Signed) D. H. A. HANNAY

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ANNEX

Statement on Angola made by the European Community and its member States on 22 October 1992

The Community and its member States take note of the publication of the official results of Angola's first democratic elections and their verification as having been free and fair by the Special Representative of the Secretary-General. They fully support the conclusions reached by the Special Representative and expect that all parties to the elections will respect the choice of the Angolan people.

They also look forward to the holding of the second round of Presidential elections in conditions of peace and without threats or intimidation from whatever quarter.

They further believe that an essential condition for peace lies in strict compliance with the Bicesse Accords, particularly those sections related to the Angolan Armed Forces.

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29 October 1992

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Forty-seventh session
Agenda item 125

# OBSERVER STATUS OF NATIONAL LIBERATION MOVEMENTS RECOGNIZED BY THE ORGANIZATION OF AFRICAN UNITY AND/OR BY THE LEAGUE OF ARAB STATES

## Report of the Sixth Committee

Rapporteur: Mr. Wael Kamal ABOULMAGD (Egypt)

## I. INTRODUCTION

1. The item entitled "Observer status of national liberation movements recognized by the Organization of African Unity and/or by the League of Arab States" was included in the provisional agenda of the forty-seventh session of the General Assembly, pursuant to Assembly resolution 45/37 of 28 November 1990.

2. At its 3rd plenary meeting, on 18 September 1992, the General Assembly, on the recommendation of the General Committee, decided to include the item in its agenda and to allocate it to the Sixth Committee.

3. In connection with the item, the Sixth Committee had before it the report of the Secretary-General (A/47/323), which was submitted in accordance with General Assembly resolution 45/37 and was introduced by the Under-Secretary-General, the Legal Counsel, at the 7th meeting of the Committee, on 28 September 1992.

4. The Sixth Committee considered the item at its 7th and 19th meetings, on 28 September and 23 October 1992. The summary records of those meetings are contained in documents A/C.6/47/SR.7 and 19.

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## II. CONSIDERATION OF DRAFT RESOLUTION A/C.6/47/L.5

5. At the 19th meeting, on 23 October, the representative of Cuba introduced a draft resolution (A/C.6/47/L.5), entitled "Observer status of national liberation movements recognized by the Organization of African Unity and/or by the League of Arab States", sponsored by Cuba, Ghana, Mozambique, Namibia, Nigeria, the United Republic of Tanzania and Zimbabwe, later joined by Cameroon, Egypt, the Libyan Arab Jamahiriya and Senegal.

6. At the same meeting, the Committee adopted draft resolution A/C.6/47/L.5 by a recorded vote of 61 to 9, with 28 abstentions (see para. 9). The voting was as follows: 1/

In favour: Algeria, Antigua and Barbuda, Armenia, Bahrain, Barbados, Benin, Botswana, Brazil, Brunei Darussalam, Cameroon, Chile, China, Colombia, Côte d'Ivoire, Cuba, Cyprus, Djibouti, Ecuador, Egypt, Ethiopia, Gabon, Guyana, India, Indonesia, Iran (Islamic Republic of), Iraq, Jordan, Kuwait, Lebanon, Malawi, Malaysia, Maldives, Mali, Mexico, Morocco, Mozambique, Myanmar, Namibia, Niger, Nigeria, Oman, Pakistan, Peru, Rwanda, Saudi Arabia, Senegal, Singapore, Sri Lanka, Suriname, Swaziland, Syrian Arab Republic, Thailand, Trinidad and Tobago, Tunisia, United Arab Emirates, United Republic of Tanzania, Uruguay, Vanuatu, Venezuela, Viet Nam and Zimbabwe.

Against: Belgium, France, Germany, Israel, Italy, Luxembourg, Netherlands, United Kingdom of Great Britain and Northern Ireland and United States of America.

Abstaining: Argentina, Australia, Austria, Belarus, Bulgaria, Canada, Costa Rica, Czechoslovakia, Denmark, Finland, Greece, Hungary, Japan, Liechtenstein, Malta, Marshall Islands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Romania, Russian Federation, Saint Kitts and Nevis, Spain, Sweden, Turkey and Ukraine.

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1/ The representative of Ireland subsequently indicated that, had he been present, he would have abstained. The representatives of the Sudan, Mauritania, Uganda, the Libyan Arab Jamahiriya, Yemen and Bangladesh subsequently indicated that, had they been present, they would have voted in favour of the draft resolution.

After the Committee had concluded its consideration of the item, the Chairman was informed by the representative of Qatar that, had he been present, he would have voted in favour of the draft resolution.

7. The representatives of the United Kingdom of Great Britain and Northern (on behalf of the States Members of the United Nations that are members of the European Community), Argentina, the United States of America and Israel made statements in explanation of vote before the vote (see A/C.6/47/SR.19).

8. The representative of the Republic of Korea made a statement in explanation of vote after the vote (see A/C.6/47/SR.19).

## III. RECOMMENDATION OF THE SIXTH COMMITTEE

9. The Sixth Committee recommends to the General Assembly the adoption of the following draft resolution:

### Observer status of national liberation movements recognized by the Organization of African Unity and/or by the League of Arab States

The General Assembly,

Recalling its resolutions 35/167 of 15 December 1980, 37/104 of 16 December 1982, 39/76 of 13 December 1984, 41/71 of 3 December 1986, 43/160 B of 9 December 1988 and 45/37 of 28 November 1990,

Recalling also its resolutions 3237 (XXIX) of 22 November 1974 and 3280 (XXIX) of 10 December 1974,

Taking note of the report of the Secretary-General, 2/

Bearing in mind the resolution of the United Nations Conference on the Representation of States in Their Relations with International Organizations relating to the observer status of national liberation movements recognized by the Organization of African Unity and/or by the League of Arab States, 3/

Noting that the Vienna Convention on the Representation of States in Their Relations with International Organizations of a Universal Character, of 14 March 1975, 4/ regulates only the representation of States in their relations with international organizations,

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2/ A/47/323.

3/ See Official Records of the United Nations Conference on the Representation of States in Their Relations with International Organizations, Vienna, 4 February-14 March 1975, vol. II (United Nations publication, Sales No. E.75.V.12), document A/CONF.67/15, annex.

4/ Ibid., vol. II, p. 207.

Taking into account the current practice of inviting the above-mentioned national liberation movements to participate as observers in the sessions of the General Assembly, specialized agencies and other organizations of the United Nations system and in the work of the conferences held under the auspices of such international organizations,

Convinced that the participation of the national liberation movements referred to above in the work of international organizations helps to strengthen international peace and cooperation,

Desirous of ensuring the effective participation of the above-mentioned national liberation movements as observers in the work of international organizations and of regulating, to that end, their status and the facilities, privileges and immunities necessary for the performance of their functions,

Noting that many States have recognized those national liberation movements and have granted them facilities, privileges and immunities in their countries,

1. Calls upon all States that have not done so, in particular those which are host to international organizations or to conferences convened by, or held under the auspices of, international organizations of a universal character, to consider as soon as possible the question of ratifying, or acceding to, the Vienna Convention on the Representation of States in Their Relations with International Organizations of a Universal Character;

2. Urges the States concerned to accord to the delegations of the national liberation movements recognized by the Organization of African Unity and/or by the League of Arab States and accorded observer status by international organizations, the facilities, privileges and immunities necessary for the performance of their functions, in accordance with the provisions of the Vienna Convention on the Representation of States in Their Relations with International Organizations of a Universal Character;

3. Requests the Secretary-General to report to the General Assembly at its forty-ninth session on the implementation of the present resolution.

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29 October 1992

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Forty-seventh session
Agenda item 126

# STATUS OF THE PROTOCOLS ADDITIONAL TO THE GENEVA CONVENTIONS OF 1949 AND RELATING TO THE PROTECTION OF VICTIMS OF ARMED CONFLICTS

## Report of the Sixth Committee

Rapporteur: Mr. Wael Kamal ABOULMAGD (Egypt)

## I. INTRODUCTION

1. The item entitled "Status of the Protocols Additional to the Geneva Conventions of 1949 and relating to the protection of victims of armed conflicts" was included in the provisional agenda of the forty-seventh session of the General Assembly, pursuant to paragraph 6 of Assembly resolution 45/38 of 28 November 1990.

2. At its 3rd plenary meeting, on 18 September 1992, the General Assembly, on the recommendation of the General Committee, decided to include the item in its agenda and to allocate it to the Sixth Committee.

3. In connection with the item, the Sixth Committee had before it the report of the Secretary-General (A/47/324), submitted pursuant to paragraph 5 of General Assembly resolution 45/38.

4. The Sixth Committee considered the item at its 6th and 11th meetings, on 25 September and 8 October 1992. The summary records of those meetings (A/C.6/47/SR.6 and 11) contain the views of the representatives who spoke during the consideration of the item.

## II. CONSIDERATION OF DRAFT RESOLUTION A/C.6/47/L.3

5. At the 11th meeting, on 8 October, the representative of Sweden introduced a draft resolution (A/C.6/47/L.3), sponsored by Algeria, Australia, Austria, Bangladesh, Canada, Chile, Czechoslovakia, Denmark, Egypt, Finland, Germany, Iceland, Latvia, the Netherlands, New Zealand, Norway, Romania, the Russian Federation, Sweden and Ukraine, later joined by Belarus, Belgium and Spain.

6. At the same meeting, the Committee adopted draft resolution A/C.6/47/L.3 without a vote (see para. 8).

7. Statements in explanation of position were made by the representatives of the United States of America and Israel.

## III. RECOMMENDATION OF THE SIXTH COMMITTEE

8. The Sixth Committee recommends to the General Assembly the adoption of the following draft resolution:

### Status of the Protocols Additional to the Geneva Conventions of 1949 and relating to the protection of victims of armed conflicts

The General Assembly,

Recalling its resolutions 32/44 of 8 December 1977, 34/51 of 23 November 1979, 37/116 of 16 December 1982, 39/77 of 13 December 1984, 41/72 of 3 December 1986, 43/161 of 9 December 1988 and 45/38 of 28 November 1990,

Having considered the report of the Secretary-General 1/ on the status of the Protocols 2/ Additional to the Geneva Conventions of 1949 3/ and relating to the protection of victims of armed conflicts,

Convinced of the continuing value of established humanitarian rules relating to armed conflicts and the need to respect and ensure respect for these rules in all circumstances within the scope of the relevant international instruments, pending the earliest possible termination of such conflicts,

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1/ A/47/324.

2/ United Nations, Treaty Series, vol. 1125, Nos. 17512 and 17513.

3/ Ibid., vol. 75, Nos. 970-973.

Noting with satisfaction that, pursuant to article 90 of Additional Protocol I, the International Fact-Finding Commission has become operational,

Stressing the need for consolidating and implementing the existing body of international humanitarian law and for the universal acceptance of such law,

Mindful of the role of the International Committee of the Red Cross in offering protection to the victims of armed conflicts,

Noting with appreciation the continuing efforts of the International Committee of the Red Cross to promote and to disseminate knowledge of the two additional Protocols,

1. Appreciates the virtually universal acceptance of the Geneva Conventions of 1949 and the increasingly wide acceptance of the two additional Protocols of 1977;

2. Notes, however, the fact that, in comparison with the Geneva Conventions, the number of States parties to the two additional Protocols is still limited;

3. Appeals to all States parties to the Geneva Conventions of 1949 that have not yet done so to consider becoming parties also to the additional Protocols at the earliest possible date;

4. Calls upon all States which are already parties to Protocol I, or those States not parties, on becoming parties to Protocol I, to consider making the declaration provided for under article 90 of that Protocol;

5. Requests the Secretary-General to submit to the General Assembly at its forty-ninth session a report on the status of the Protocols based on information received from Member States;

6. Decides to include in the provisional agenda of its forty-ninth session the item entitled "Status of the Protocols Additional to the Geneva Conventions of 1949 and relating to the protection of victims of armed conflicts".

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Agenda item 127

# CONSIDERATION OF EFFECTIVE MEASURES TO ENHANCE THE PROTECTION, SECURITY AND SAFETY OF DIPLOMATIC AND CONSULAR MISSIONS AND REPRESENTATIVES

Report of the Sixth Committee

Rapporteur: Mr. Wael Kamal ABOULMAGD (Egypt)

## I. INTRODUCTION

1. The item entitled "Consideration of effective measures to enhance the protection, security and safety of diplomatic and consular missions and representatives" was included in the agenda of the forty-seventh session of the General Assembly, pursuant to Assembly resolution 45/39 of 28 November 1990.

2. At its 3rd plenary meeting, on 18 September 1992, the General Assembly, on the recommendation of the General Committee, decided to include the item in its agenda and to allocate it to the Sixth Committee.

3. In connection with the item, the Sixth Committee had before it the report of the Secretary-General (A/47/325 and Add.1 and 2), submitted pursuant to paragraph 10 of General Assembly resolution 45/39. The report was introduced by the Under-Secretary-General, the Legal Counsel, at the 10th meeting, on 7 October 1992. It contained the reports received from States pursuant to paragraph 9 of that resolution, as well as information submitted in accordance with paragraphs 12 and 10 of Assembly resolutions 42/154 and 45/39, respectively, on the state, as at 13 July 1992, of ratification of and accessions to the Vienna Convention on Diplomatic Relations of 1961, the Vienna Convention on Consular Relations of 1963 and the respective optional protocols thereto, as well as the Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents, of 1973.

4. The Committee considered the item at its 10th, 11th and 19th meetings, on 7, 8 and 23 October 1992. The summary records of those meetings contain the views of representatives who spoke during the consideration of the item (A/C.6/47/SR.10, 11 and 19).

## II. CONSIDERATION OF PROPOSALS

### A. Draft resolution A/C.6/47/L.6

5. At the 19th meeting, on 23 October 1992, the representative of Finland introduced a draft resolution (A/C.6/47/L.6), entitled "Consideration of effective measures to enhance the protection, security and safety of diplomatic and consular missions and representatives", sponsored by Argentina, Australia, Austria, Botswana, Bulgaria, Chile, Czechoslovakia, Denmark, Finland, Germany, Hungary, Iceland, the Netherlands, Norway, the Philippines, Romania, the Russian Federation, Sweden, Turkey, Ukraine and Uruguay, later joined by Belarus, Canada and Japan.

6. At the same meeting, the Committee adopted draft resolution A/C.6/47/L.6 without a vote (see para. 8).

7. The representative of Ethiopia made a statement in explanation of position.

## III. RECOMMENDATION OF THE SIXTH COMMITTEE

8. The Sixth Committee recommends to the General Assembly the adoption of the following draft resolution:

### Consideration of effective measures to enhance the protection, security and safety of diplomatic and consular missions and representatives

The General Assembly,

Having considered the report of the Secretary-General, 1/

Conscious of the need to develop and strengthen friendly relations and cooperation among States,

Convinced that respect for the principles and rules of international law governing diplomatic and consular relations is a basic prerequisite for the normal conduct of relations among States and for the fulfilment of the purposes and principles of the Charter of the United Nations,

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1/ A/47/325 and Add.1 and 2.

Alarmed by the repeated acts of violence against diplomatic and consular representatives, as well as against representatives to international intergovernmental organizations and officials of such organizations, which endanger or take innocent lives and seriously impede the normal work of such representatives and officials,

Concerned at the failure to respect the inviolability of diplomatic and consular missions and representatives,

Concerned also at the abuse of diplomatic or consular privileges and immunities, particularly if acts of violence are involved,

Emphasizing the duty of States to take all appropriate measures as required by international law, including measures of a preventive nature, and to bring offenders to justice,

Welcoming measures already taken by States to this end in conformity with their international obligations,

Convinced that the role of the United Nations, which includes the reporting procedures established under General Assembly resolution 35/168 of 15 December 1980 and further elaborated in later Assembly resolutions, is important in promoting efforts to enhance the protection, security and safety of diplomatic and consular missions and representatives,

1. Takes note of the report of the Secretary-General;

2. Strongly condemns acts of violence against diplomatic and consular missions and representatives, as well as against missions and representatives to international intergovernmental organizations and officials of such organizations, and emphasizes that such acts can never be justified;

3. Urges States to observe, implement and enforce the principles and rules of international law governing diplomatic and consular relations and, in particular, to ensure, in conformity with their international obligations, the protection, security and safety of the missions, representatives and officials mentioned in paragraph 2 above officially present in territories under their jurisdiction, including practical measures to prohibit in their territories illegal activities of persons, groups and organizations that encourage, instigate, organize or engage in the perpetration of acts against the security and safety of such missions, representatives and officials;

4. Also urges States to take all necessary measures at the national and international levels to prevent any acts of violence against the missions, representatives and officials mentioned in paragraph 2 above and to bring offenders to justice;

5. Recommends that States should cooperate closely through, inter alia, contacts between the diplomatic and consular missions and the receiving State, with regard to practical measures designed to enhance the protection, security

and safety of diplomatic and consular missions and representatives and with regard to the exchange of information on the circumstances of all serious violations thereof;

6. Calls upon States that have not yet done so to consider becoming parties to the instruments relevant to the protection, security and safety of diplomatic and consular missions and representatives;

7. Also calls upon States, in cases where a dispute arises in connection with a violation of their international obligations concerning the protection of the missions or the security of the representatives and officials mentioned in paragraph 2 above, to make use of the means for peaceful settlement of disputes, including the good offices of the Secretary-General, and requests the Secretary-General, when he deems it appropriate, to offer his good offices to the States directly concerned;

8. Requests all States to report to the Secretary-General in accordance with paragraph 9 of resolution 42/154 of 7 December 1987;

9. Requests the Secretary-General to issue a report on the item, in accordance with paragraph 12 of resolution 42/154, containing also an analytical summary of the reports received under paragraph 8 above, on an annual basis, as well as to proceed with his other tasks pursuant to the same resolution;

10. Decides to include in the provisional agenda of its forty-ninth session the item entitled "Consideration of effective measures to enhance the protection, security and safety of diplomatic and consular missions and representatives".

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